

STATE OF INDIANA

DEPARTMENT OF LOCAL
GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058
INDIANAPOLIS, IN 46204
PHONE (317) 232-3761
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TO: All Public Utility Companies

SUBJECT: General Instructions for Filing Utility Ad Valorem
Tax Returns (ANNUAL REPORT UD-45)

DATE: January 2006

Enclosed is one (1) copy of the Annual Report Form UD-45, to be completed by all utility companies. Please read all of the instructions before completing the Annual Report. This report is for the tax year 2006. Forms are also available through our website: <http://www.in.gov/icpr/webfile/formsdiv/dlgf.html>

When to File

The Annual Report (UD-45) and all other required documents must be filed, by statute, on or before March 1st (IC 6-1.1-8-19); however, the Department of Local Government Finance (DLGF) has granted an automatic extension of time to all public utility companies. Postmarks through **April 3, 2006** will be considered timely filing. Extensions beyond April 3 will be granted only in the most extraordinary of circumstances. Your request must be made in writing and received in this office at least five (5) days prior to the due date. No extensions will be granted past May 1st, 2006. If your extension request is granted, you will receive a letter of confirmation. Please do not abuse this privilege. **Reports received after the April 3, 2006 deadline will be subject to a late filing penalty of \$100 per day (IC 6-1.1-8-20).**

Also included in this mailing is a copy of Public Utility Form #1 and Form #1N to be used in reporting locally assessed personal property. The due date for Public Utility Form #1 has also been extended to April 3, 2006. Please see the separate memorandum dealing with Form #1 for further information. Any further extensions for Form 1 or 1N should be pursued with the appropriate local official.

Where to File

The Annual Report (UD-45) and all other required documents should be mailed to:

Indiana Department of Local Government Finance
Utility Specialist
100 North Senate Ave., Room N-1058
Indianapolis, IN 46204

Phone: (317) 232-3756
Fax: (317) 232-8779
Web address: www.in.gov/dlgf/

NOTE

An Annual Report will not be accepted if it is incomplete, illegible, or displays information in a manner other than that prescribed on Form UD-45, Annual Report. Annual Reports that are rejected may be subject to a late filing penalty if a corrected copy is not resubmitted by the filing deadline. Also, please note that schedules A-1 through G should be filled out prior to filling in schedule A, because those schedules support schedule A. Do not leave schedule H blank. Schedule H is required.

What to File

One copy of each of the following must be filed:

Annual Report (UD-45) prescribed by the DLGF

Annual Report to Stockholders and/or certified financial statements

***Special Note:** REMC's should file a **complete copy of the RUS Form 7** (all seven pages)*

Tentative Assessment and Appeal Rights

An Order notifying each utility company of its tentative assessment will be mailed on or before June 1 (IC 6-1.1-8-28).

Within ten (10) days after the taxpayer receives notice of the DLGF's tentative assessment, the taxpayer may:

File with the DLGF its objections to the tentative assessment; and

Demand that the DLGF hold a hearing on the tentative assessment

(IC 6-1.1-8-28(b)).

The appeal should be made in writing and state the nature of the objections and contain any supporting evidence for the claim. If you are claiming obsolescence, you must qualify the type of obsolescence and quantify it based on Indiana assets for the current assessment date.

If the taxpayer does not file an appeal within ten (10) days, the tentative assessment is final and may not be appealed (IC 6-1.1-8-28(b)).

If the taxpayer files an appeal of the tentative assessment within the ten (10) days, the DLGF shall hold a hearing on the tentative assessment at a time and place fixed by the DLGF. After the hearing, the DLGF shall make a final assessment of the taxpayer's distributable property and shall notify the taxpayer by June 30. (IC 6-1.1-8-29)

The taxpayer may file an appeal of the DLGF's final assessment to the Board of Tax Review. The taxpayer must initiate the appeal within forty-five (45) days after the date of the notice of the DLGF's final assessment. (IC 6-1.1-8-30)

INSTRUCTIONS FOR COMPLETING THE ANNUAL REPORT

The information requested on pages 1 and 2 is of a general nature. The remainder of the Annual Report consists of the following schedules:

Schedule A	Computation of Assessment (required)
Schedule A-1	Computation of Value for Construction in Process
	Computation of Credit for Gross Additions
	Reporting of CIAC & CAFC (required, if applicable)
Schedule A-2	Leased Property (required, if applicable)
Schedule A-3	Air Pollution Control Equipment
Schedule A-4	Water Pollution Control Equipment
Schedule A-5	REMC Schedule
Schedule A-6	Pipelines - Pipe Valuation
Schedule A-7	Pipelines - Other Distributable Property
Schedule A-8	Passenger Bus Schedule

Schedule B	Balance Sheet and Franchise Schedule (required)
Schedule C	Reconciliation of Book to Federal Tax basis (required)
Schedule D	Capital Stock and Indebtedness (requested)
Schedule E	Income Statement (requested)
Schedule F	Locally Assessed Real Property (requested)
Schedule G	Locally Assessed Personal Property (required)
Schedule H	Assessment Distribution (required)

Only those schedules that would be applicable to your utility type have been included in this mailing. REMC's, pipeline companies, and passenger bus companies should refer to the specific instructions for their respective companies before completing any schedule. If other schedules are required, please contact our office or go to <http://www.in.gov/icpr/webfile/formsdiv/dlgf.html>.

The following are specific instructions concerning each schedule.

Schedule A - Computation of Assessment

The Schedule A is used to compute the true tax value of the utility company's property in Indiana. Specific instructions by line number are as follows:

1. Enter the total cost of utility plant in service at December 31, 2005. The total cost is to be reported at tax basis. (Refer to 50 IAC 5.1-6-2 through 50 IAC 5.1-6-5)
2. Enter the total cost of non-utility property at December 31, 2005. The total cost is to be reported at tax basis.
3. Enter the total cost of plant held for future use at December 31, 2005. The total cost is to be reported at tax basis.
4. Add Lines 1, 2 and 3.
5. Enter the **total cost** of locally assessed real property (except R/O/W, easements and towers) included in the utility plant in service amount shown on Line 1, above. The total cost is to be at tax basis.
6. Enter the total cost of locally assessed real property (except R/O/W, easements and towers) included in the non-utility property amount shown on Line 2, above. The total cost is to be at tax basis.
7. Enter the total cost of locally assessed real property (except R/O/W, easements and towers) included in the plant held for future use amount shown on Line 3, above. The total cost is to be at tax basis.
8. Add Lines 5, 6, and 7.
9. Subtract Line 8 from Line 4.
10. Enter the total cost of organization expense at December 31, 2005.
11. Enter the total cost of any acquisition adjustment at December 31, 2005.
12. Add Lines 9, 10 and 11.
13. Enter the total cost of intangibles at December 31, 2005. The total cost is to be at tax basis. **Please provide supporting documentation for intangibles, or your claim will be disallowed.**

14. Enter the total cost of locally assessed real property (except R/O/W, easements and towers) included in the intangible amount shown on Line 13, above. The total cost is to be at tax basis.
15. Subtract Line 14 from Line 13.
16. Enter the total cost of Air Pollution Control Equipment in Service from Schedule A-3.
17. Enter the total cost of Stream Pollution Control Equipment in Service from Schedule A-4.
18. Add Lines 15, 16 and 17.
19. Line 12 minus Line 18.
20. Enter the **total cost** of locally assessed personal property as reported on Schedules A, B and C-2 of Form 1. **This amount is also shown in Column A, of Schedule G (page 11).** The total cost is to be reported at tax basis.
21. Enter the total cost of leased personal property reported on Form 1 locally (included on Line 20), but not included in Line 1 above.
22. Line 20 minus Line 21.
23. Line 19 minus Line 22.
24. Enter the total amount of **accumulated depreciation** as computed for federal tax purposes at December 31, 2005. **This amount should agree with amount shown on Schedule C- Reconciliation.**
25. Enter the total amount of accumulated amortization reserve as computed for federal tax purposes at December 31, 2005. **This amount should agree with amount shown on Schedule C - Reconciliation.**
26. Line 24 plus Line 25.
27. Enter the total amount of **accumulated depreciation** as computed for federal tax purposes applicable to locally assessed real property at December 31, 2005.
28. Enter the total amount of **accumulated depreciation** as computed for federal tax purposes applicable to locally assessed personal property at December 31, 2005. Report only the accumulated depreciation for property included in Line 1, above. **Do not report accumulated depreciation for property not included in Line 1, above.**
29. Enter the total amount of accumulated depreciation as computed for federal tax purposes applicable to the pollution control equipment deducted on Lines 16 and 17, above. **This amount should be the difference between the cost of pollution control facilities in service shown on Schedules A-3 and A-4, and the net tax value, also shown on Schedules A-3 and A-4.**
30. Enter the total amount of accumulated amortization reserve applicable to locally assessed Real property at December 31, 2005.
31. Enter the total amount of accumulated amortization reserve applicable to the intangibles deducted on Line 15, above.
32. Line 26 minus the sum of Lines 27, 28, 29, 30 and 31.

33. Enter your credit for gross additions from schedule A-1.
34. Sum of Line 32 and Line 33.
35. Subtract Line 34 from Line 23.
36. Multiply Line 23 by thirty percent (30% or .30).
37. Enter the greater of Line 35 or Line 36.
38. Enter the **true tax value** (10% of cost) of Construction in Process from Schedule A-1.
39. Enter the true tax value of leased distributable property from Part I-B of Schedule A-2.
Please note that leased distributable property must meet the requirements of 50 IAC 5.1-6-9 Minimum value (30% Floor).
40. Line 38 plus Line 39.
41. Enter the true tax value of REMC property as shown on Schedule A-5 (if applicable).
42. Pipeline companies shall enter the true tax value of their pipe as shown on Schedule A-6.
43. Pipeline companies shall enter the true tax value of their distributable property, other than pipe, as shown on Schedule A-7.
44. Bus companies shall enter the true tax value of buses and tires, as shown on Line 27 of Schedule A-8.
45. Other. Usually Abnormal Obsolescence or dark fiber adjustment. **Please attach a detailed explanation and worksheet as to how the amount requested was arrived at. Note the percentage of Line 37 that is being requested as abnormal obsolescence; state under which subsection the property qualifies for abnormal obsolescence. If you do not explain your request in detail and provided adequate supporting documentation, your claim will be denied. The backup must quantify the amount of obsolescence due to the assets in Indiana on the assessment date and they must be verifiable and applicable to true tax value.** See 50 IAC 5.1-11-1 through 50 IAC 5.1-11-5 for details on obsolescence; see IC 6-1.1-8-28 for appeal procedures if your claim for obsolescence is denied.
46. Enter the total of lines 37, 40, 41, 42, 43, 44& 45.
47. Line 46 - Rounded to nearest ten dollars. This is the assessed value/true tax value.

Schedule A-1 - Computation of Value for Construction in Process, Computation of Credit for Gross Additions and Reporting of Contributions In Aid of Construction (CIAC) & Customer Advances For Construction (CAFC)

The value of construction in process at December 31, 2005 shall be computed on Part A of Schedule A-1. Construction in Process will be valued at ten percent (10%) of cost (50 IAC 5.1-9-1(d)). Carry total to line 38 of Schedule A.

The credit for gross additions is sixty percent (60%) of the depreciated cost of distributable property placed in service. Carry the total to line 33 of schedule A.

The cost of CIAC & CAFC should be included in Line 1 of Schedule A-Computation of Assessment. On the first line of Section C, show the cost of CIAC & CAFC in the applicable column. On the second line of Schedule C, show the amount of accumulated depreciation for CIAC & CAFC that is included in the amount of accumulated depreciation claimed on Line 24 of Schedule A-Computation of Assessment. You may calculate depreciation as if you were reporting the property on your federal tax return. {50 IAC 5.1-7-2(b) & 50 IAC 5.1-7-4(b)}

Schedule A-2 - Leased Property

Report all property held, possessed or controlled but not owned. The value shown in Part I-B is to be carried to Schedule A. Include leased property reported on Form 1 in Schedule A, on Line 49 from Schedule G. (50 IAC 5.1-9-3 & 50 IAC 5.1-10)

Schedule A-3 - Air Pollution Control Equipment

Schedule A-4 - Water Pollution Control Equipment

Report property claimed to be exempt as either air or water pollution control equipment on the applicable schedule. All claims for water pollution control equipment must be accompanied by a letter of certification (or proof that such certification has been requested) from the Department of Environmental Management. Claims without certification (or proof of request) may be denied. (IC 6-1.1-10-12 & 6-1.1-10-13/ IC 6-1.1-10-9)

Schedule A-5 - REMC Schedule

Schedule A-6 - Pipelines - Pipe Valuation

Schedule A-7 - Pipelines - Other Distributable Property

Schedule A-8 - Passenger Bus Schedule

Specific instructions will accompany these forms. REMC's, pipeline companies and passenger bus companies should refer to the specific instructions for their respective companies before completing any schedule on the UD-45, Annual Report.

Schedule B - Balance Sheet

Enter the information from your company's December 31, 2005 balance sheet, at book basis. Include all property. Adjustments to bring the total value down to Indiana values at federal tax basis should be reflected on schedule C.

Schedule C - Reconciliation

Use this schedule to reconcile the company's total cost of plant in service, accumulated depreciation and accumulated amortization reserve, as shown on the financial statements (Balance Sheet), with the tax basis of those items as reported in the DLGF Annual Report (Form UD-45) on schedule A. Explain all differences between what is reported on Schedule B and Schedule A, such as book to tax adjustment, out of state property, or property that is not taxable by the state such as occurs in the case of service bundling of telecommunications, cable television and/or internet. Do not remove intangibles on schedule C and remove them again on schedule A.

Please be sure to check the appropriate box if the amount of federal tax depreciation at December 31, 2005 was estimated. It is preferable that you use your actual numbers rather than an estimate. If you have some extenuating circumstances there is a place for notes at the bottom of this schedule.

Schedule D - Capital Stock and Indebtedness

List all issues of capital stock and indebtedness issued by taxpayer. This schedule is requested, but not required.

Schedule E - Income Statement

Show applicable amounts for the last five years. If amounts are different than shown in the company's

annual statement to stockholders, attach a detailed explanation of the reasons for the differences. This schedule is requested, but not required.

Schedule F - Real Estate and Improvements

List all locally assessed real estate and improvements owned within the state. Attach additional sheets if necessary. Please note: this figure is subject to change in reassessment years such as 2002. If available, please **list parcel numbers under description** as well as a physical description of the property. This schedule is requested, but not required.

Schedule G - Utility Tangible Fixed Personal Property

List information reported on Form 1's. Attach additional sheets if necessary. Be sure to abide by the 30% minimum value rule. **You no longer need to provide this office with copies of your Form 1's.**

Schedule H - Assessment Distribution

This is a summary of the assessments by taxing district. Due to the reorganization of school corporations, annexation and/or incorporation of cities and towns, and newly created sanitation and conservancy districts in Indiana, the DLGF has experienced considerable difficulty in allocating the property of public utility companies. Therefore, it is specifically requested that before completing Schedule H that your company **determine from local officials the proper taxing districts in which your company's property was located on March 1, 2006.** Please include the DLGF Taxing District Number when completing Schedule H. **This year a check box is included to check if your information for allocation has not changed from the prior year.** If you check this box, we will use the information in our database that was entered from the prior year UD-45 schedule H. Please, give only one total per taxing district to avoid processing errors.

To assist in your determination of DLGF taxing district numbers, *a listing of the taxing district names with their corresponding taxing district number is available from the DLGF's web site at www.in.gov/dlgf/ as part of the tax rate page.* You also may retrieve a copy of our forms from our web address. Additionally, local official contact information is also available from our website.

Computer generated versions of the prescribed forms and schedules may be used **after** the DLGF has approved the forms for use. No form can be approved if it has not been submitted for review.

The DLGF encourages all companies to submit their distribution of assessments (Schedule H) on computer diskette in Microsoft excel format. Please be sure to use the same format as the Schedule H hard copy enclosed. Do not include any additional columns on the Schedule H. The addition of extra columns makes it more difficult to transfer the data into our database.

Due to the extremely short statutory deadline, we ask that you submit your completed Annual Report as early as possible.

Need More Information?

Contact information is available on page one of this memo. Our office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday (EST). If you would like to email us, our email address is: kheffington@dlgf.in.gov and jwaddell@dlgf.in.gov . If you do not have Internet access you may request this information by dialing (317) 232-3756 or (317) 232-3765.